

Rail Presidents, Sharing Authority With I. C. C., Struggling for Better Wages

Since Control Is Divided, Owners Yield Direction to Hired Executives

Building Up an Organization Is More Difficult Task Than Physical Construction

By William E. Hooper

THE fate of the railways is largely in the hands of the railway managers. Congress may pass further legislation, the Labor Board may grant further decreases in wages, but the actual working out of the problem is in the hands of the executives responsible to their stockholders, who are in charge of the properties.

Without attempting to name all of

the railway executives, some of the most important in the present crisis with the greatest responsibility are Samuel Rea, of the Pennsylvania; A. H. Smith, of the New York Central; Julius Kruttschnitt, of the Southern Pacific; Hale Holden, of the Chicago, Burlington & Quincy; Fairfax Harrison, of the Southern Railway; L. F. Loree, of the Delaware & Hudson and Kansas City Southern; Carl Gray and Judge R. S. Lovett, of the Union Pacific; H. E. Byram, of the Chicago, Milwaukee & St. Paul; F. D. Underwood, of the Erie; Daniel Willard, of the Baltimore & Ohio; C. H. Markham, of the Illinois Central; Marvin Huggitt, of the Chicago & Northwestern; W. H. Truesdale, of the Delaware, Lackawanna & Western; James H. Hustis, of the Boston & Maine; E. J. Pierson, of the New Haven, and A. H. Ashton, president of the American Railway Association and formerly president of the Chicago & Northwestern. T. De Witt Cuyler, though a member of the board of directors of the Pennsylvania Railroad, is not in charge of the railroad property, but is chairman of the Railway Executive Association. His responsibility is of a character different from that of the others named. The Railway Executive Association represents the railroads before Congress and before the public.

It used to be customary to speak of the Gould railroads, the Vanderbilt roads, Morgan roads, etc. This grouping according to capitalist has largely become obsolete. Even where one group of roads is financed by one banking house exclusively the bankers' influence in the management of the road extends no further than the engaging of a president when a vacancy occurs, and the actual management is left to him. It is no longer an interesting game with

honor and profit to be a railroad manager. Bankers pay some one else to take the responsibility and to exercise what little authority the Interstate Commerce Commission and the Labor Board have left to the manager.

Typical Examples
What manner of men are these railway executives? Of the eighteen men named there are representatives of various starts in life that are so typical of successful American men. Two of the eighteen are Yale men—Cuyler and Harrison. One is a graduate of Williams and of Harvard Law School—Hale Holden. One a graduate of Rutgers—Loree. One a graduate of Washington and Lee University—Kruttschnitt. One a graduate of Arkansas Industrial University—Carl Gray.

The others started with a common school education at best and the education of an early start in manual labor. For instance, F. D. Underwood, president of the Erie, began work as a clerk and later became a brakeman. Daniel Willard, president of the Baltimore & Ohio, began work as a track laborer and became a locomotive fireman. H. E. Byram was a call boy—that is, it was his job to go night or day and route out engine crews to take the runs assigned to them. C. H. Markham, president of the Illinois Central, began work as a section laborer, and James J. Hustis started as an office boy. A. H. Smith was a bridge foreman, and Samuel Rea was a rodmann, but had, of course, engineering training. W. H. Truesdale began work as a clerk, and R. S. Lovett was a local attorney for the Southern Pacific in New Orleans.

These men, who had risen from the bottom to the top were in charge of the carriers when the government took them over at the close of 1917. When William G. McAdoo was appointed Director General of 260,000 miles of rail-

road his first act was to name as his assistant A. H. Smith, at that time president of the New York Central. For a while he permitted the railroad presidents to remain in charge of their properties, but at once established a central administration. As he perfected this central and regional organization of management he came to realize that the railroad presidents were not necessary to have railroad presidents to operate the American railroad system. He therefore issued an order that Federal managers must be in the pay of the railroad administration and not officers of the corporations.

Expensive System
Some of the railroad presidents resigned from their corporations and accepted positions as Federal managers of the railroad properties, others stepped out from the management of the railroad and let a subordinate act as Federal manager. Mr. McAdoo was probably not convinced that his experiment of running the railroads under a central and regional organization was a failure, but his successor, a tendency to conservatism and inefficiency by urging Congress and the executive department to turn the roads back to their owners as quickly as possible.

When the corporations resumed control the same presidents in charge of the properties prior to government operation resumed their duties, but a new problem had arisen. The railroads had been operated for twenty-six months as a whole. The public had come to regard them as a whole, and their problems were, more than ever, interlocking and joint. It was necessary to take concerted action on many questions, and the railroad executives of the railroads was the Railway Executives' Association. An association, however, can accomplish only that which its members agree on, and it is of necessity guided by the strongest individual who can carry with them a majority of the other members. That individual was a man in the least likely to be a man who will easily cooperate with his equals. Especially is this true when it comes to the conduct of his own business. It is, therefore,

not sufficient to say that the railway executives represent the official position of the railroads. The association theoretically does this. Actually, however, the leaders of the railroads are the strong individual executives who are managing their own properties in their own way, whether they happen to be in exact accord with the association in its official and formal views or not.

Individual Initiative
The railroads of the United States were developed by individual initiative and management. Men like James J. Hill, C. W. Huntington, E. P. Ripley, E. J. Pierson, W. A. Rouse, and C. E. Perkins, of the Chicago, Burlington & Quincy, did their work, relying on their own judgment, exercising arbitrary powers, responsible only to their own sense of right and wrong, without precedents. They had comparatively crude mechanical devices—the steam locomotive of the '80s was a pretty crude affair, and the engineering of the railroads until comparatively recently was a rough-and-ready variety—yet these men with the tools that they had opened a continent and developed a railroad transportation system which hauls freight at a fraction of the cost of European transportation systems.

The men who are now in charge of the railroads are the men who successfully worked up in the organizations that the great railroad builders developed. These organizations presented tough problems that the boy who entered at the bottom, with no help to depend on except his own ability to displace the man above him. Peculiar qualities are the natural outcome of a training such as this. The organization of a large railroad is so vast that a routine inertia develops impervious to a blank wall to any but the most determined.

It is an organization nearly as exacting as the management of a mill or of a factory, but without the rigid formal rules of seniority, and its officers lack the power to inflict anything but monetary punishment. The railroad is a system to organize the personal supervision can only be attained through being out on the road continuously. Railroad work involves great masses of detail, bristling with chief clerks and offering high opportunities for soldiering on the job.

A man who can break through these conditions and ride down the obstinate opposition of labor and inspire the lazy and indifferent men of the railroad is a man of extraordinary strong character. Such a man was Frederick D. Underwood. His first advancement was from brakeman to foreman of elevators; then he went back on the road as a conductor, became a yard master and assistant division superintendent, a superintendent, a general superintendent, a general manager, a vice-president, and in 1901 became president. He says that the biggest surprise of his life was when he became yardmaster, to discover just how big a job that was. As a matter of fact, every one of these positions has been a large degree of responsibility and required large executive ability.

A railroad organization is built up only after years of effort, and a successful one is built up only through the most painstaking and painstakingly extraordinary strong character. The Pennsylvania's organization and history are seeming contradictions to this statement, but a careful study of the system will not refute the opinion. It is true that the system impresses itself on men rather than permitting the individual to impress himself upon the system. But the system in its most successful working out has acted as a selector which, though it molded a man's character, did not rob the individual of his individuality. It is an executive position of his initiative and personality.

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READING from left to right, top, the rail chiefs are Samuel Rea, president of the Pennsylvania; Thomas De W. Cuyler, chairman of the Association of Railway Executives; A. H. Smith, president of the New York Central lines; L. F. Loree, president of the Delaware & Hudson and chairman of the board of the Kansas City Southern. Below—F. D. Underwood, president of the Erie Railroad, and Judge Robert S. Lovett, president of the Union Pacific.

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Intensive Training
The kind of training that most of the railroad executives have had has been intensive rather than broadening. Each man has worked with his nose close to the grindstone. Few people realize how intense has been the railroad competition, and few outside of the railroad field realize how intense has been the competition within the organization. Now this question arises as to whether a return to these conditions is possible and, if possible, is wise. It was eminently successful in the past, but the present system up to the time that the Interstate Commerce Commission assumed the most important functions of management and has been unsuccessful since the time.

The railroad executives, it will be remembered, attempted to get together and operate the properties as a unit some months before the Wilson Administration decided to take over the railroads. This failure was not surprising, it is generally acknowledged now, due not so much to any lack of cooperation, although cooperation was by no means perfect, but to the confusion of government management. Now, faced with common problems, it is possible to present a common front. Each railroad executive fights his own battle, and a large degree of responsibility and required large executive ability.

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Diamond Output Sets New High Mark in Value

Total Production in Volume Not Up to Record, However; Sales Decline as Mine Price Advances

HIGH prices for diamonds stimulated output to such an extent in the Union of South Africa that a new production record in money value was established last year. Total sales fell off in volume as well as in money value, however, in spite of the advance in prices—probably because of the worldwide business depression and the revolt against high prices.

In the last three years production has fluctuated by only about 50,000 carats, although the value of the product has increased to nineteen, as compared to eleven in 1917. Regarding the industry, Trade Commissioner P. J. Stevenson, Johannesburg, Transvaal, writes:

"The estimated value of the diamonds produced in the Union of South Africa during 1920 constituted a record for the industry. The value of the mined, alluvial and debris-washed diamonds, totaled for the year the sum of \$14,762,899. The bulk of this amount, or \$12,289,092, came from the mines, and \$2,473,807 from alluvial mining and debris washings. The previous record year was 1919, the output being valued at \$11,734,495. Prior to 1918 the high mark was 1913, when diamonds were produced to the value of \$11,839,807.

"The last year's output aggregated 2,545,017.47 carats, of which 2,312,436.56 came from regular mines and 222,580.91 from alluvial mining; 11,120.75 carats were recovered from debris washings. It is to be noticed that the output in the last six years has been practically constant outside of 1914, which was an abnormal year; 1917 was the high mark in this period, with 2,907,416.51 carats, and 1918 the lowest, with 2,330,000 carats. This high figure reflects the effect of abnormal conditions on prices, as the price realized per carat in 1917 was 51s. 1d. and in 1918 was 54s. 9d. These high prices stimulated production in the average rate on duty. In 1920, compared with sixteen in 1918 and eleven in 1917.

Falling Off in Sales
While production value constituted a record, the sales of diamonds fell below the total of 1919 by \$3,411,267, or from \$17,339,662 to \$13,928,395. This decrease is accounted for by the large drop in the volume sales, which were only 1,705,993.82 carats as compared with 1919 sales of 2,545,017.47 carats. The sales total would have been even less in value except for the increase in the price realized, which was 11 1/2% in 1920 against the 1919 figure of 10 1/2%.

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"Because of the special manner in which diamonds are marketed through the Diamond Syndicate, it is interesting to note the difference between the production and sales figures. In 1920 sales by volume were 779,024.65 carats under production. In 1919 sales were 60,813.95 and in 1918 104,572.45 carats above the output."

Canada's Economic Position Like That of U. S. After Civil War

Special Dispatch to The Tribune

TORONTO, July 2.

CANADA'S industrial development is following the general course of the economic progress of the United States, but in some respects the Dominion is fifty years or more behind its great neighbor. The present economic position of Canada suggests the situation in the United States after the close of the Civil War. In the spring of 1865, after hostilities were over, the principal problems of economic reconstruction were reorganization of the national debt, revision of the domestic system of taxation, restoration of an effective gold standard, and protection of home industry from destructive competition from abroad after the abnormal development resulting from war conditions. The Dominion to-day is confronted with parallel problems.

Although Canadian territory has escaped the actual and direct ravages of war, nevertheless the Dominion, like the United States in 1865, has been afflicted with a heavy debt. At the conclusion of the Civil War the United States had a public debt of approximately \$2,976,000,000, as against less than \$60,000,000 in 1860. Before the recent war Canada's net Federal debt was only about \$36,000,000, at the end of March, 1921, it was officially reported as \$2,311,294,444. The wealth of Canada in 1914 was estimated at only slightly more than the wealth of the United States at the beginning of the Civil War, and the population of the United States in 1865 was approximately 35,000,000, as compared with the present Canadian population of less than 9,000,000. The per capita debt of the United States at the beginning of the Civil War was \$11.10, as compared with \$260.40 in 1914, as compared with Canada's per capita debt of about \$260. But although the Federal debt of Canada is almost as large as that of the United States at the conclusion of the Civil War, it is in much more convenient form. Indeed, throughout the recent war period the administration of Canada's public financing was in striking contrast to the vacillating financial administration of the United States during the Civil War. It has been said that the United States Civil War debt that eight-ninths of the consisted of transient forms, issued under laws made up to a large extent of incomprehensible verbiage giving unlimited direction over the manner of its payment, and that in the aggregate nearly one hundred contingencies of duration, option, conversion, extension, renewal, etc. The problem of refunding inevitably was complicated by this situation. On the other hand, comparatively little difficulty is expected in connection with the refunding of the Canadian war debt. A portion of the principal of the first war loan—\$1,914,700,000—falls due in December, 1922, and the Finance Department is now studying the whole question in order to be fully prepared to deal with whatever problems may be presented by the several issues as they mature.

Taxation Difficulties
Taxation involves much greater difficulties. Like the United States prior to the Civil War, Canada was dependent before the recent war principally upon the customs and internal taxes levied by the Federal government. Neither country had found it necessary to resort to heavy direct taxation. Neither government had had much experience in large financial operations, such as were necessitated by war exigencies. In neither country were the people generally educated, before hostilities commenced, in the purchase of public securities. Each part of the war was financed in each case by public borrowing. But in 1862 the government of the United States imposed stamp duties and the tariff was augmented by an increase in the average rate on duty to 47 per cent. The Federal income tax, first imposed in 1861, was repealed in 1862, and in 1865 it was imposed at 5 per cent and those above \$5,000 at 10 per cent.

In Canada the first taxation resort after the commencement of the war was to an increase in the customs

duties, and by the War Revenue act, 1915, a horizontal ad valorem 5 per cent was made in the customs duties on goods imported under the British preferential tariff and a horizontal in the duties on goods imported under the United States and general tariff schedules. At the same time special internal revenue taxes were imposed, including levies on bank deposits, premiums of life insurance companies, cables, and telegrams, transportation tickets, sleeping car or parlor car accommodation, and the following year the business profits tax was introduced. In 1917 the business profits war tax was made more drastic, and later in the same year the government was forced to resort to the sale of financial assets, which had been drafted the preceding year. In 1918 the income tax was extended by a reduction of exemptions, and in 1919 the 5 per cent customs war tax on all goods imported under the British preferential tariff and by withdrawing the 7 1/2 per cent war tax on an extensive list of articles of food, clothing and other necessities imported under the general or intermediate tariffs. The customs duties on agricultural implements were reduced at the same time approximately to the scale proposed in the reciprocity agreement with the United States, which was rejected in 1911 by the Canadian electorate. To offset the loss of revenue from these tariff changes the government advanced the income tax rates to the level of those in force in the United States. In 1920 the government, without the aid of the income tax, which still applied on a large portion of importations, and thereby abandoned a revenue source which, in 1919 and 1920, yielded \$50,000,000. Of course, the revenue had to be provided in other ways and the government announced a complicated system of so-called "luxury" taxes, manufacturers' taxes, increased stamp duties and the sales tax. The income taxes were increased also by 5 per cent over the rates prevailing in the United States. Thus